OCTOBER 1981

INCORPORATING incentive travel

C4425-2 A

What's cooking at Kraft:

An in-depth look at consumer promotion

NPIS and IT&ME Show Issue

A BILL PUBLICATION

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INCENTIVE TRAVEL '82

WHO*WHERE*WHY*HOW MUCH

FAST FACTS: Highlights of the IM reader survey

- A 50% jump in the median cost of an incentive trip, going from $1000 to $1500.
- The rapid growth of the last 2 decades slows down. This panel of users expects to spend about 6% more this year.
- Costs as a percentage of incremental sales increased a bit, but sales effectiveness is holding its own.
- Incentive trips costing $2000-per-couple doubled their market share, to 36% of these users.
- Travel wholesalers/agents head the list of suppliers, used by 44%. 39% do most of it themselves, 17% use a full-service incentive company.
- Hawaii was the most popular domestic destination; Mexico heads the overseas list.
- Outlook for '82: 31% plan to increase their program, 57% to continue as before, 12% to cut back.

The seams appear to have burst this year on unit cost of incentive travel. After holding firm from 1975 through 1980, users knuckled under to higher costs and apparently adjusted qualification levels accordingly to make their programs work.

The result was a full 50 percent increase in the median expenditure per trip, per couple—from $1000 for the past two years to $1500 this year.

The devices employed to hold costs down had included a variety of budget moves: principally reduced distances and shortened trip durations. Despite soaring costs of air transportation, hotel services, and other trip elements, total costs per award had only inched upward.

Most of that has gone out the window now, if we can believe the testimony of 196 companies responding in the latest **Incentive Marketing** update survey on incentive travel.

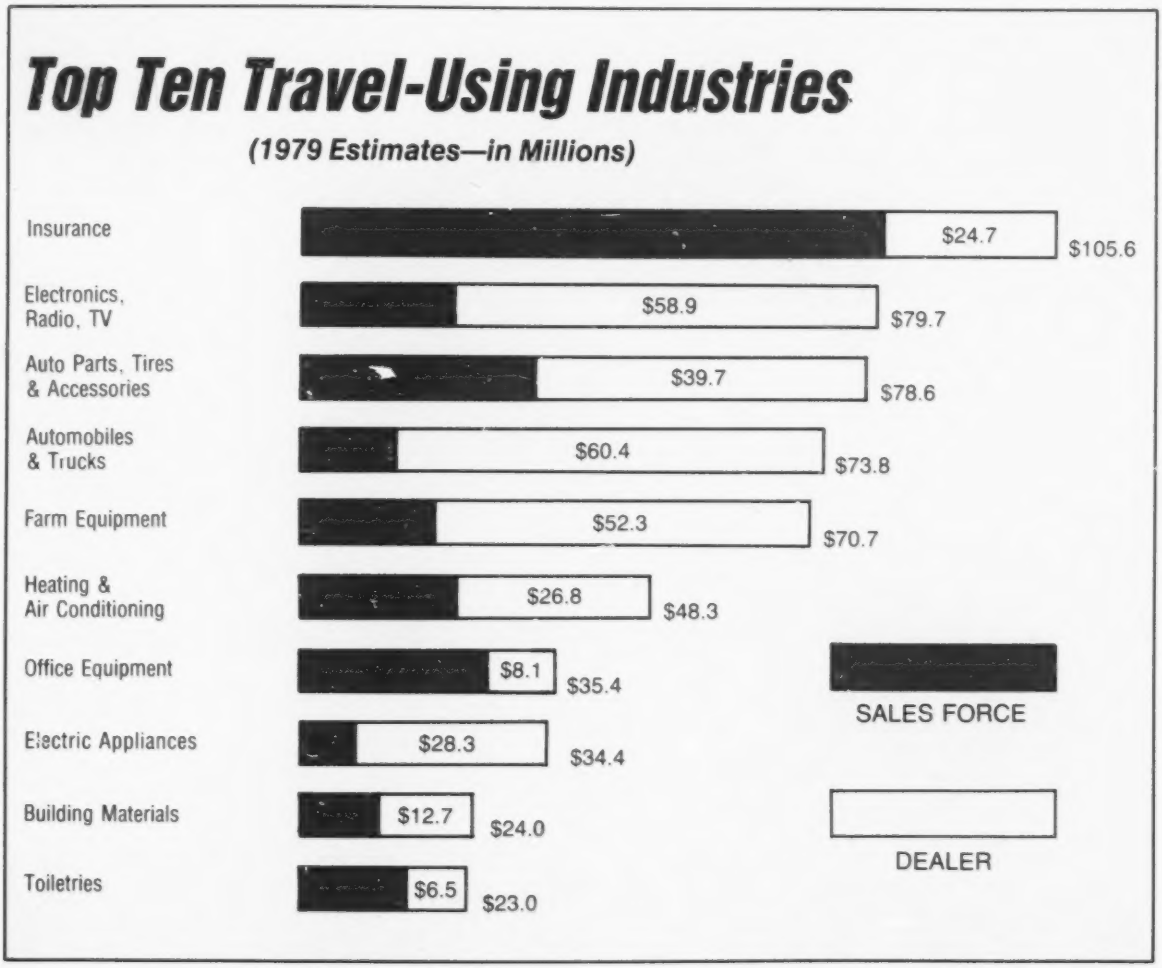
Despite rising costs travel remains effective

Although unit costs have risen substantially, total expenditures by these companies have increased less than earlier forecasts. But sales effectiveness has held its own, and the percentage of qualifiers for trips has edged up a bit over last year's surveys, although still below the level of some recent years.

Incentive travel campaign costs, as a percentage of incremental sales gained during the promotion, have increased somewhat, but not enough to dampen the spirits of most users.

Despite higher unit trip costs, the overall growth of incentive travel has slowed somewhat in the past two years. After two decades of meteoric rise, increases in travel usage have slowed considerably. The appeal of travel surely has not been lost, but the difficulties associated with costs going through the ceiling, and doing so in such an unpredictable fashion, have noticeably reduced the expansion of past years.

The rapid ascendancy of travel began to slip a bit in 1979, and growth in 1980 was consid-



erably smaller than that of merchandise awards for salespeople, dealers, and distributors. The forecasts for 1981 (**IM** January 1981) projected an expansion of travel expenditure by 9.2 percent, while merchandise incentives were seen as increasing by 14 percent.

Users reporting in the special survey this year—the 172 companies supplying figures on usage for both years—showed an increase this year over 1980 of about 6.1 percent in travel spending, somewhat lower than the forecast.

Most users promote to company salespeople

To obtain this update information on travel incentives, **IM** sent a special questionnaire to 438 early respondents in the 1981 Census survey who showed significant expenditures for travel programs. We received completed questionnaires from 201 of the executives—about 46 percent—and tabulated 196 responses. As mentioned above, 172 of these companies showed travel expenditure figures for both 1980 and '81, and these were the basis of any comparisons of usage-volume.

We asked these executives a total of 19 questions designed to reveal not only their trends in incentive usage, but results in terms of sales success and participation, as well as current practices in the management and conduct of incentive campaigns.

Companies reporting dollar expenditures for both 1980 and 1981 spent an average of $199,735 last year for their travel programs, and an average of $212,018 estimated for 1981—an increase of 6.1 percent.

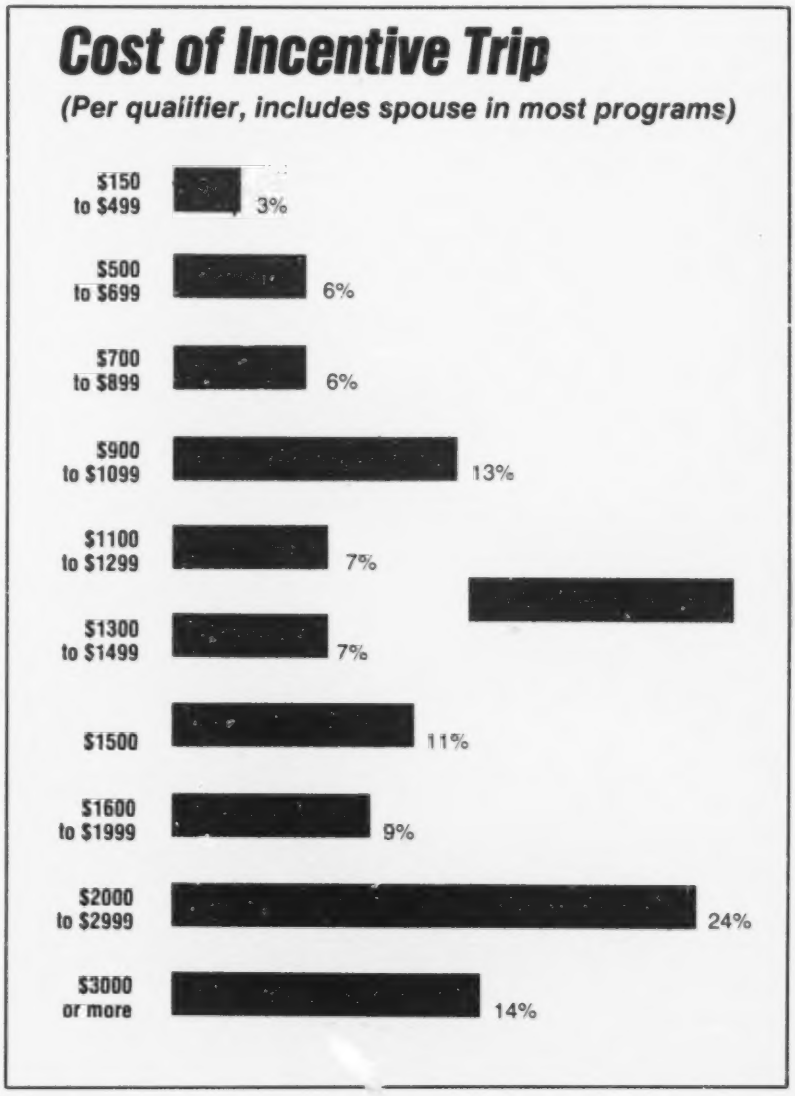
The median expenditure per company, however, rose from $41,000 last year to an expected $47,000 in 1981.

A good majority—77 percent—of the survey respondents offer travel incentives to their own company salespeople. However, mixed groups were common, with an average of more than 1.5 types of personnel named. Second choice is retail dealers, at 32 percent. Independent sales reps and distributors are targeted by 15 percent each, and eight percent aim their promotions at distributor salespeople. About seven percent seek to motivate direct-selling people, and the same number indicated "other" audiences.

Almost half—49 percent—are exclusive travel users. Another 30 percent use combination programs with merchandise awards, while 21 percent also use merchandise, but in separate campaigns. For 74 percent of these marketers, group travel is the clear choice, while the remainder—26 percent—prefer individual travel awards. The average group size is 307, although the median comes to 78, including spouses in 94 percent of cases.

Should business meetings be included?

A matter of longstanding con-



What's bothering incentive travel users?

BUDGETING

Firm costs on airfares—*(Appliance manufacturer)*
Price from original quote to end costs—*(Consumer goods co.)*
Keeping costs in line with allowable dollars—*(Life insurance)*
Specific costs versus budget and results—*(Insurance)*
Maintaining quality without exceeding the budget—*(Motorcycle mfg.)*
Keeping expenses under budget—*(Real estate)*
Keeping costs from going up because of hidden charges, or because executives change the program and increase costs, and then forget who made the changes eight months later—*(Industrial equipment)*
Cost increases in transportation & lodging—*(Feed company)*
Evaluating final costs in US dollars—*(Electric appliances)*

MOTIVATION

Getting people to know they can win—*(Industrial equipment)*
Creating interest among our sales force and customers—*(Consumer goods)*
Keeping interest high—*(Book company)*
Getting dealers involved—*(Paint wholesaler)*
Sustaining interest in a 78 or 104-week program—*(Life insurance)*
Keeping the perennial winner motivated—*(Ad specialty distributor)*
Getting salespeople involved—*(Industrial products)*
Selling our sales force on its value—*(Consumer goods)*
Maintaining interest during the contest period—*(Paper products)*
Satisfying all participants—*(Retailer)*
Encouraging people to take the trip instead of cash—*(Life insurance)*
Maintaining enthusiasm among our people—*(Building materials)*
Getting people to work—*(Insurance)*
Trying to get 100 percent enthusiasm—*(Farm equipment)*
Obtaining participation from all personnel, as programs have to appeal to all—*(Insurance)*

GOAL SETTING & EVALUATION

Did we achieve our goals?—*(Feed supply house)*
Trying to determine whether sales during a campaign are "added" sales, or are borrowed from another time—*(Life insurance)*
Increasing the percentage of added (new) sales—*(Insurance)*
Evaluating long-term benefits to the company—*(Carpet mfg.)*
Making program equitable to all—*(Laboratory equipment)*
(1) Site selection, (2) quota requirements, (3) success measurement—*(Insurance)*
Planning a program that really increases productivity—*(Engineering services)*
Loading up at end period to qualify, and resultant credit problems—*(Feed supply co.)*
Being fair in evaluating large volume versus small volume customers—*(Food company)*
Determining what percentage of sales increase is directly attributable to the program—*(Farm supplies)*
Developing a realistic cost-benefit analysis to measure program's impact—*(Financial services)*
Convincing management of program's worth—*(Food company)*

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troversy among travel users has been the question of whether business meetings should be included in the trip plan. Some feel this is an ideal way to make the program pay off more than it would otherwise. Many users, however, feel it is cheating a bit and insist the trip be pure fun and games to make it a fitting reward for performance.

On the question of meetings, only 31 percent of respondents answered, but 69 percent of those said they do conduct on-site business sessions. The average time devoted to business is 8.7 hours in the course of a trip averaging 3.6 days.

Open-end budget best, but seldom used

By their nature, travel programs are long, and about one-third of the surveyed executives indicate the selling periods for their campaigns run a full year or more. The average duration is 35 weeks. On the average, these companies begin planning the program 46 weeks in advance of the trip, and this averages 21 weeks before the selling period opens.

More than half these companies—52 percent—establish incentive program budgets in advance, a natural consequence of the large number of year-round programs. Other budget methods are fairly evenly divided: 18 percent based on sales forecast; 14 percent from "regular promotion funds"; and 12 percent use open-end budgeting based on a percentage of sales added during the campaign. Another four percent use methods which do not fit any of the categories.

Many seasoned users and other observers of incentive travel usage strongly believe the open-end budget is the wisest course. It ties the overall cost directly to program results, permits all sales performance to be rewarded, and guards against excessive spending in a program that does not perform according to stand-

ards. The fact that only 12 percet of these users employ the method—up from nine percent in the last survey—suggests that, however good the approach may be in theory, it is difficult to sell to corporate management.

In translating the campaign budget into individual quotas or objectives, 55 percent of these executives base the quotas on an overall sales forecast, and the budget is derived from that. The second choice, favored by 36 percent, is to set quotas on the basis of a previously determined budget. This chicken-and-egg relationship between quotas and budgets may project itself into the difficulty of evaluating results effectively, according to the comments of many executives.

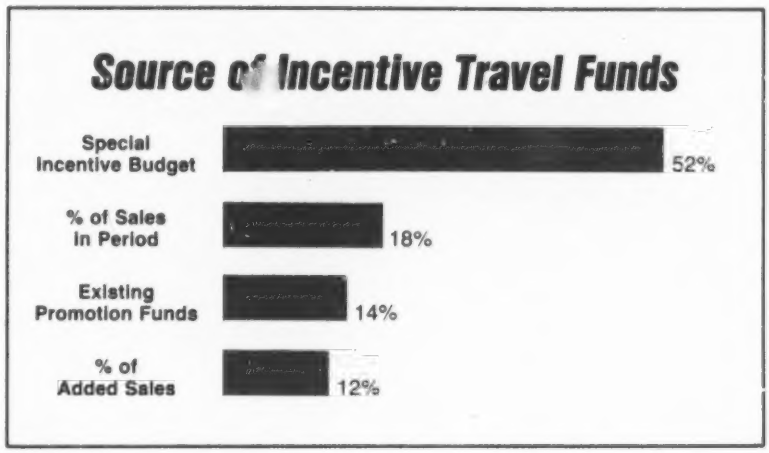
If the budget dictates quotas, outstanding overall performance may be stifled to a degree. And when the quotas write the budget, it may have a similar effect on the way results are interpreted. Does the overall sales objective become obscured somewhat by artificial restrictions at either end?

The qualifications for incentive travel awards vary a bit, depending upon the type of participant. The surveyed users now report that 34 percent of sales personnel win awards, 30 percent of dealers, and 29 percent of distributors, on the average. In the case of wholesaler or retailer programs, these middlemen are sometimes required to pay a portion of the trip cost. But only 12 percent of the respondents answered our question on this matter, and the average of their answers was 31 percent of the cost contributed by the participants' employers.

More trips cost over $2000, less under $500

As noted previously, the cost of individual trips has risen dramatically in the last year among this group of trip sponsors. The average unit cost in their reports is $1763 and the median is $1500, half again the $1000 median which had prevailed in the last two years.

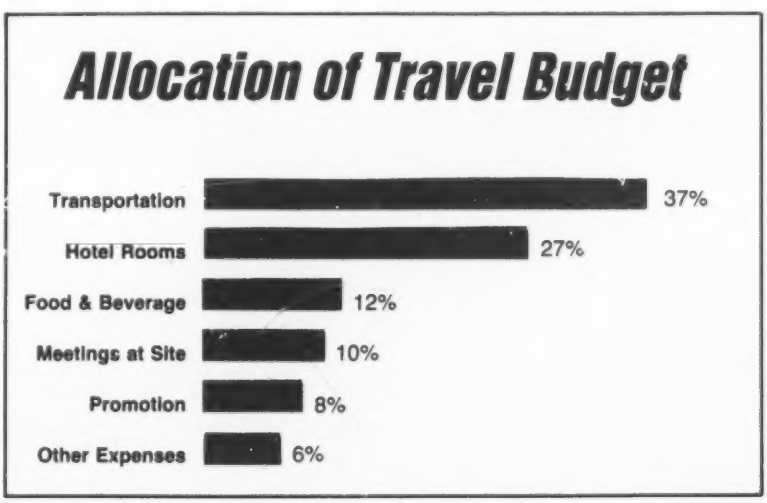
The shift in per-trip expenditure by these respondents is emphasized not only by the rise in the median cost, but in the changes at both ends of the scale. A year ago, the comparable IM study showed 21 percent of respondents' unit expenditures were under $500. In the present survey, only three percent fall in that bottom category. On the other end, trips costing $2000 or more per couple accounted for only 18 percent last year, but have now doubled their share to 36 percent.



Practices have not changed greatly in handling the travel arrangements. Travel wholesalers or retail travel agents are the prime source for 44 percent of these executives, while 37 percent prefer to make most arrangements themselves. A poor third choice, mentioned by 17 percent, is the full-service incentive company. Only five percent said they plan their trips "through travel suppliers," including airlines, hotels, and cruise lines.

Affect of travel specialists on costs

Opinions are sharply divided on the matter of dealing through travel specialists, whether wholesalers or incen-



Circle No. 136 on Buyer Action Card

Where they're going

(A sampling of incentive sites chosen by IM survey respondents)

UNITED STATES

55 Hawaii
- 2 Maui
- 1 Kaui

41 Florida
- 12 Disney World/ Orlando
- 6 Miami
- 4 Key Biscayne
- 3 Palm Beach
- 2 Boca Raton
- 2 Marco Island
- 2 Sarasota
- 1 Daytona Beach
- 1 Key Largo
- 1 Key West
- 1 Naples
- 1 Tarpon Springs

31 California
- 11 San Diego
- 6 San Francisco
- 4 Los Angeles
- 4 Palm Springs
- 1 Disneyland
- 1 Monterey

30 Nevada
- 23 Las Vegas
- 9 Lake Tahoe
- 2 Reno

14 Puerto Rico

12 New Orleans

9 South Carolina
- 5 Hilton Head
- 2 Myrtle Beach

9 Texas
- 3 Dallas
- 3 Houston
- 1 San Antonio

8 Arizona
- 4 Phoenix
- 1 Scottsdale
- 1 Tempe

7 U.S. Virgin Islands
- 4 St. Thomas
- 4 St. Croix

7 Wisconsin
- 2 Lake Geneva

6 Colorado
- 3 Denver
- 1 Colorado Springs

6 Missouri
- 3 St. Louis
- 2 Lake of the Ozarks
- 2 Kansas City

6 Virginia
- 4 Williamsburg
- 2 Hot Springs

5 Georgia
- 2 Atlanta
- 1 Pine Isle
- 1 Savannah

4 New Jersey
- 2 Atlantic City

4 New York
- 3 New York City

4 Tennessee
- 4 Nashville

3 Illinois
- 2 Chicago

3 Maine

3 Ohio

2 USA individual choice

2 Alaska

2 Kentucky

2 Pennsylvania

2 West Virginia

1 Indiana

1 Maryland

1 Massachusetts

1 New Mexico

1 North Carolina

1 Super Bowl

FOREIGN

51 Mexico
- 23 Acapulco
- 5 Mexico City
- 4 Cancun
- 3 Cozumel
- 3 Mazaltan
- 3 Puerto Vallarta

29 Bahamas
- 9 Nassau
- 2 Freeport
- 2 Paradise Island
- 1 Abaco
- 1 Treasure Cay

23 Bermuda

14 United Kingdom
- 13 London
- 1 Scotland

13 Cruises

13 Spain
- 2 Majorca
- 1 Costa del Sol
- 1 Madrid

12 Jamaica
- 1 Montego Bay

7 Canada
- 4 Montreal

6 France
- 3 Paris

6 Japan

6 Monte Carlo

5 Aruba

5 Germany
- 3 Rhine cruise
- 2 Munich

4 Greece

4 Netherlands

4 St. Maarten

3 Barbados

3 Brazil
- 2 Rio de Janeiro

3 Caribbean

3 Denmark

3 Europe

3 Italy
- 2 Rome

3 Switzerland
- 1 Lausanne
- 1 Lucerne

2 Hong Kong

2 Ireland

2 Portugal

1 Austria

1 China

1 Dominican Republic

1 Egypt

1 Israel

1 Panama

1 Sweden

tive companies. We asked these users how they felt about the effects of such dealing in regard to trip cost. A plurality of 39 percent believe working with a travel specialist increases the overall cost. But almost as many—36 percent—think such a relationship decreases costs. And 25 percent do not see this factor making any difference in the cost of the incentive travel program.

Quite apparently, increases in costs for incentive travel cannot, in the minds of these users, be related to methods of handling the program in any important degree.

83 percent report facing higher costs

The rise in the cost of travel is dramatized by the fact that the vast majority, 83 percent, of respondents said costs were up this year. Only eight percent reported lower unit cost, and nine percent had managed to hold the line.

High on the list of cost factors is, of course, airline fares, but they are not alone in pushing costs upward. Transportation, (including ground transfers), now takes an average of 37 percent of the total budget, up from 35 percent in the last survey. Hotel room charges have also risen, from 24 percent to 27 percent.

The cost of promotion has gone up from six percent to 8 percent; meetings at the destination had used seven percent of the budget, but now calls for 10 percent. The only segment of the budget which has dropped percentagewise is food and beverages, down significantly from more than 18 percent to a present 12 percent of the total package. Can it be that today's winners are not eating as well or drinking as much as in the recent past? The catchall "other" costs have also dropped from nine percent to six percent.

Incentive Travel Objectives

Overall Volume Increase	76%
Sell New Accounts	47%
Improve Morale or Good Will	42%
Sell Full Line or Slow Items	28%
Introduce New Products	26%
Offset Competitive Activity	17%
Bolster Slow Season	14%
Sales Training	8%
Increase Store Display	4%
Other	5%

Incentive travel, for all its problems, is glamorous and exciting to everyone—not only the trip recipients but, usually, the executives running the programs. But the bottom line is still there and it amounts to a combination of objectives, results, and final evaluation of how well the targets were reached.

In terms of objectives, there are 10 goals we ask the users to rate in the survey questionnaire. Always in #1 position, of course, is "overall volume increase." In this survey, it ranks as tops with 76 percent of the executives answering. The second choice, listed by 47 percent, is "sell new accounts." A fairly close third—at 42 percent—one that is unique in its strength with the travel user—is "improve morale or good will." About 28 percent of the users want to encourage salespeople.

How users measure results is another story. Units or dollars of sales remains the principal criterion for 63 percent but simply reaching goal or quota is a measurement for 49 percent. Residual benefits, such as morale and good will, are considered important touchstones by 24 percent of the respondents, and branch or district performance is the basis of evaluation by 17 percent. The profit on incremental sales, which may be the surest measure of success—albeit difficult to determine—is considered by only 14 percent. The total exceeds 100 percent by a considerable amount, because users tend to use multiple methods of evaluation.

Though costing more, the results are worth it

Sales increases remain the universal measurement, whatever the nuances that may accompany them. Users in the present **IM** survey have done well in this regard, by comparison with a similar group of companies a year ago: advancing one percentage point or more over the 1980 reports, on the average.

Last year's survey group showed an average sales increase during sales incentive travel programs of 21 percent, compared with 16 percent the previous year. On the dealer side, the respective figures were 20 percent and 18 percent. The current respondents say they are achieving an average of 22 percent this year in sales force programs, where they got only 17 percent a year earlier. For dealer promotions, they now find gains of 20 percent, compared with their year-ago average of only 15 percent. The trend, then, obviously continues upward and bullish for these executives.

It is, however, costing them slightly more to reach these goals than it cost their counterparts last year. In the key area of program cost as a percentage of incremental sales added during the campaign, this year's re-

spondents did it at a cost of 13 percent on the average, with a median of seven percent. The median reported in the 1980 survey was five percent. This leaves present users, however, in a stronger position than earlier years, when costs from nine to 12 percent of incremental sales were common.

Incentive travel: a billion dollar 1981

It seems apparent, given the increase in unit cost and the continuation of good sales increases, that users are generally demanding more of their sales force, dealer, and distributor audiences to qualify for incentive trips, and are getting compliance with little trouble. People still want travel—and are willing to do more than ever before to earn it.

The conclusion is inescapable: in spite of the total effects of incredible cost increases, incentive travel works. And it does so with undiminished sales effectiveness and acceptable cost-effectiveness.

This undoubtedly explains why, in the face of many difficulties in planning and budgeting, 31 percent of the surveyed users say they will increase the size and scope of their incentive travel programs in the future; 57 percent will continue as in the past, and only 12 percent are considering pulling back on travel expenditure.

The original forecast (IM January 1981) for incentive travel usage for 1981, was $1,030,317,000. The users covered in this survey suggest the total may be somewhat smaller in their actual dollar reports: an increase of quite a bit less than the 9.2 percent previously estimated over 1980 usage. Yet reports of results and plans suggest these estimates may be on the conservative side—and incentive travel is still likely to finish 1981 as a billion-dollar endeavor. ■

(Continued from Page 66)

Salesmen sitting on orders—*(Toy mfg.)*

(1) Getting a program to satisfy all participants (haven't done it yet!) (2) Maintaining a high level of enthusiasm during seven-eight month qualification period—*(Insurance)*

The fairness of the campaign to all individuals included, plus hard feelings from those excluded—*(Educational materials)*

Relating travel incentive to other forms—cash, merchandise, etc. —*(Food company)*

Determining actual benefits received—*(Auto parts company)*

SITE SELECTION

Picking a location that will provide an incentive for dealers to increase their purchases—*(Chemical company)*

Finding salable properties at a price to fit budget—*(Consumer goods)*

Picking site to motivate biggest percentage of total force—*(Office equipment)*

Trying to better previous trips—*(Heating & air conditioning)*

Selection of new location every year—*(Food products)*

Selecting a destination that satisfies all customers, large and small—*(Metals company)*

Balancing site and budget—*(Paint wholesaler)*

Finding decent, "workable" properties—*(Lighting equipment)*

We are a smaller company, and find an absence of smaller, intimate sites—*(Awards mfg.)*

New locations at reasonable prices—*(Bedding equipment)*

Very few problems in conducting or evaluating, difficulty is site selection—*(Heating & air conditioning)*

TRAVEL SUPPLIERS

Constant problem is performance of land operator—*(Bedding company)*

Lack of coordinated staff at resort—*(Bank)*

Hotels—*(Sporting goods)*

Cooperation and reliabilty of suppliers—*(Insurance)*

Getting travel staff to mingle with winners and be close friends—*(Seed co.)*

Nothing in particular except incompetence of most travel people. They never seem to have been where they are sending you—*(Electric equipment)*

Picking the right travel agent—*(Insurance)*

OTHER PROBLEMS AND COMMENTS

We run individual trips, and no two people ever want the same trip.

A lot of work making arrangements—*(Detergents)*

No problems, just hard work!—*(Paper products)*

Having to buy trips too far in advance—*(Steel wholesaler)*

Last-minute changes and unwillingness to cooperate—*(Office equipment)*

Hard estimating how many will really participate—*(Insurance)*

Putting it all together—*(Insurance)*

We have an open-ended program, so as many make it as can qualify. On this basis it's hard to book a specific number of rooms, plane seats, etc., in advance. So far we have done a good job of estimating, but it does lead to gray hairs!—*(Insurance)*

Developing bigger and better conferences each year in spite of escalating costs of air transportation, hotel rooms, and food, while budgets are tightened and in some cases cut back. But it does make for an interesting and challenging job. I love it!—*(Insurance)*